

### Highlights

<b>Global</b>	<p>Global financial markets remain on a relatively soft footing in the interim as the S&amp;P 500 continued to sell off with more than 90% of stocks trading lower amid the Saudi Arabia tensions (as Turkish president Erdogan said a team of Saudi generals conducted the killing of journalist Khashoggi and US president Trump called it “one of the worst” cover-ups in history), China’s slowdown and 3Q earnings concerns. Caterpillar fell amid the company warning about rising costs due to higher steel prices and US tariffs. The 10-year UST bond yield continued to hug 3.16%, while the US\$38b of 2-year note auction fetched 2.88%. Oil prices also slipped amid a pledge by Saudi Arabia to meet any shortfall from the Iranian sanctions. Elsewhere, Italian PM Conte also said there is no “Plan B” for its budget despite the EC’s rejection of its proposal. With China’s equity market rally running out of steam yesterday, Asian bourses can tread carefully today. Market focus will be on Bank of Canada’s policy decision where a 25bps hike to 1.75% is anticipated. The economic data calendar comprises US’ new homes sales, MBA mortgage applications and Fed Beige Book, US/Europe’s Oct manufacturing and services PMI, and Malaysia’s inflation. Fed’s Bullard, Bostic, Mester and Brainard are speaking.</p>
<b>US</b>	<p>Richmond Fed manufacturing fell more than expected from 29 in Sep to a 6-month low of 15 in Oct, as prices paid and wage expectation gauges surged, with the former at a 7-year high likely contributed partly by the tariffs and the latter at a 18-year high. Meanwhile, president Trump continued to step up his criticism of Fed chair Powell in a WSJ interview, saying “every time we do something great, he raises the interest rates” and he “almost looks like he’s happy raising interest rates”. Trump opined that the Fed is the “biggest risk” to the US economy and “I’m very unhappy with the Fed because Obama had zero interest rates”. Meanwhile, Fed’s Kaplan said “criticism is part of the job” and “elected, appointed officials are free to give whatever views they want”, whereas Bostic opined that “my assessment is that we are still a few rate hikes away” from neutral.</p>
<b>CH</b>	<p>In a bid to boost foreign investment into China, the government has said that it will move to reduce restrictions for foreign investors by March 2019 by simplifying FDI rules to level the playing field for local and foreign entities.</p>
<b>SG</b>	<p>Headline inflation rose 0.7% yoy (0% mom) in Sep, in line with our forecast and the same as the previous month, as lower retail inflation was mitigated by higher services inflation and a smaller decline in accommodation costs. Meanwhile core inflation surprised at 1.8% yoy which is a moderation from the 1.9% seen in Aug.</p>
<b>ID</b>	<p>Bank Indonesia (BI) held rates yesterday as expected following the October round of the central bank’s two days long policy meeting. Senior Deputy Governor Mirza Adityaswara though was quoted as to saying that GDP growth in the third quarter “might be more or less the same with the first quarter, around 5.1%, slightly below 5.1%”. This is actually in line with our forecast for the quarter. Meanwhile, Adityaswara mentioned regarding the current account deficit that “in the third quarter, it will be slightly higher than second quarter figure” but he also highlighted that the fourth quarter “will be slightly below the third quarter figure”.</p>

## Major Markets

- **US:** Wall Street closed lower on Tuesday as the DJIA (-0.50%) plunged more than 500 points intraday, but managed to recover most of the losses by the end of the session. The S&P500 and Nasdaq composite slipped 0.55% and 0.42%, respectively.
- Industrial stocks guided markets lower, with Caterpillar plunging by 7.56% as it reported a lower-than-expected full-year EPS guidance due to higher material costs and tariffs.
- 3M (-4.38%) also lowered EPS guidance for the full year as well, and missed revenue and profit expectations for the third quarter.
- McDonald's equity surged 6.31% as the fast-food giant reported quarterly revenue above consensus estimates, and its global comparable sales grew 4.2%.
- Verizon Communications (+4.06%) saw its base of mobile subscribers expand in 3Q18, with total revenue increasing by 2.8%.
  
- **Singapore:** MTI-MAS reiterated that imported inflation is likely to increase in the quarters ahead due to higher oil and food prices, while domestically, there could be a greater pass-through of higher import and labour costs to consumer prices amid strengthening domestic demand, albeit greater market competition in telecommunications, electricity and retail segments may cap the extent of overall price hikes. Core inflation is tipped to rise to around 2% in the coming months but average between 1.5-2% in 2018 and 1.5-2.5% in 2019, while headline inflation will increase from around 0.5% this year to 1-2% next year. Our headline and core inflation forecasts are 1.5% and 2.0% in 2019, up from 0.6% and 1.8% this year.
- The STI slumped 1.52% to close at 3031.39 yesterday, and may continue to trade in a range of 3000-3060 amid mixed cues – Wall Street slipped overnight but morning cues from Nikkei and Kospi are positive. With UST bonds rallying by up to around 3bps overnight, SGS bonds may extend gains today as well.
  
- **Malaysia:** The Public Accounts Committee will be reopening the 1MDB probe next week as it will summon the former Auditor-General Ambrin Buang to testify. Meanwhile, former Treasury Secretary-General Irwan Serigar is expected to be brought to court today in relation to the 1MDB matter. Inflation data is due later today.
  
- **Indonesia:** Senior Deputy Governor Mirza Adityaswara also said that the “weak” component for the 3Q18 growth is the net exports, which he further elaborated “dragged down economic growth”.
  
- **Philippines:** According to Bloomberg, Finance Department Secretary Carlos Dominguez said that he expects inflation to subside over the next few months as government measures to boost food supply takes effect.
  
- **Hong Kong:** Inflation accelerated to 2.7% in September, the strongest growth since early 2018. This is mainly due to low base effect and the waned effects of government subsidy schemes introduced last year, which pushed up public housing rentals and school tuitions. Specifically, housing inflation surged to a 2-year high of 2.9% while miscellaneous services inflation also jumped to 2.9% from August's 1.5%. In the coming months, we expect inflation to remain elevated amid strong housing rentals and higher prices of imported goods. Nonetheless, upside for local costs are likely to be limited amid muted economic outlook. As such, we expect the inflationary risks to be contained and CPI growth to print 2.3% yoy in 2018 as a whole.

- **Macau:** Visitor arrivals rose 3% yoy in September to 2.56 million. The growth was the slowest since January 2018, mainly due to bad weather. Same-day visitors slid significantly by 24.7% yoy to 1.15 million while overnight visitors' growth also decelerated notably from 16.3% yoy in Aug to 1.9% yoy in Sep. This is probably due to Typhoon Mangkhut. Zooming in, the number of tourists from Hong Kong, Taiwan, Japan and South Korea dropped by 1.6%, 3.7%, 19.1% and 4.4% on a yearly basis respectively. This indicates that other than bad weather, the tourism sector is still facing some headwinds including a stronger MOP, China's economic slowdown and trade war concerns. On a positive note, during golden week holiday, visitor arrivals increased by 7.2% yoy. Adding that HK-Zhuhai-Macau Bridge will commence operation starting 24th Oct, tourism activities may regain some traction (Mainland tourists accounted for 71% of total visitors and increased by 5.7%). Nonetheless, the headwinds may linger and continue to cap any upside of the tourism sector.

### Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with swap rates for the shorter and longer tenors trading 2-4bps lower while the belly of the curve traded 4-5bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 143bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 9bps to 513bps. 10Y UTST yields fell 8bps to 3.11% in the earlier part of the trading session, its lowest in almost three weeks on the back of safe haven demand from the ongoing sell-off in equity markets worldwide. Yields subsequently recovered 6bps to close at 3.17% following the USD38bn 2-year note auction which attracted below average demand.
- **New Issues:** TNB Global Ventures Capital Berhad has priced a USD750mn 10-year bond (Obligor: Tenaga Nasional Berhad) at CT10+170bps, tightening from its initial price guidance of CT10+190bps area. Soar Wise Ltd has scheduled for investor meetings from 24 Oct for its potential USD bond issuance (guaranteed by AVIC International Leasing Co Ltd).

### Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	95.961	-0.05%	<b>USD-SGD</b>	1.3789	-0.08%
<b>USD-JPY</b>	112.440	-0.34%	<b>EUR-SGD</b>	1.5817	-0.03%
<b>EUR-USD</b>	1.1471	0.06%	<b>JPY-SGD</b>	1.2259	0.24%
<b>AUD-USD</b>	0.7086	0.07%	<b>GBP-SGD</b>	1.7900	0.06%
<b>GBP-USD</b>	1.2983	0.15%	<b>AUD-SGD</b>	0.9769	-0.03%
<b>USD-MYR</b>	4.1642	0.09%	<b>NZD-SGD</b>	0.9034	-0.46%
<b>USD-CNY</b>	6.9380	-0.14%	<b>CHF-SGD</b>	1.3859	0.04%
<b>USD-IDR</b>	15192	0.02%	<b>SGD-MYR</b>	3.0205	0.02%
<b>USD-VND</b>	23345	-0.01%	<b>SGD-CNY</b>	5.0330	-0.02%

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3690	--	<b>O/N</b>	2.1706	--
<b>2M</b>	-0.3390	--	<b>1M</b>	2.2865	--
<b>3M</b>	-0.3170	--	<b>2M</b>	2.3611	--
<b>6M</b>	-0.2610	--	<b>3M</b>	2.4874	--
<b>9M</b>	-0.2000	--	<b>6M</b>	2.7293	--
<b>12M</b>	-0.1510	--	<b>12M</b>	3.0310	--

#### Fed Rate Hike Probability

Meeting	Prob Hike	2.25-2.5	2.5-2.75	2.75-3	3-3.25
11/08/2018	6.1%	6.1%	0.0%	0.0%	0.0%
12/19/2018	75.4%	70.8%	4.5%	0.0%	0.0%
01/30/2019	76.5%	68.7%	7.6%	0.2%	0.0%
03/20/2019	92.8%	37.4%	49.9%	5.3%	0.1%
05/01/2019	93.4%	34.9%	48.9%	9.0%	0.6%
06/19/2019	96.8%	20.3%	41.6%	29.6%	4.9%

#### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	66.43	-3.96%	Coffee (per lb)	1.211	2.93%
Brent (per barrel)	76.44	-4.25%	Cotton (per lb)	0.7899	-1.29%
Heating Oil (per gallon)	2.2484	-3.01%	Sugar (per lb)	0.1381	-0.07%
Gasoline (per gallon)	1.8368	-3.67%	Orange Juice (per lb)	1.3775	-0.11%
Natural Gas (per MMBtu)	3.2120	2.36%	Cocoa (per mt)	2,187	-1.49%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,080.3	-0.99%	Wheat (per bushel)	5.0900	0.20%
Nickel (per mt)	12,315.0	-1.27%	Soybean (per bushel)	8.575	-0.12%
Aluminium (per mt)	1,997.0	-0.65%	Corn (per bushel)	3.7025	0.20%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,233.4	1.00%	Crude Palm Oil (MYR/MT)	2,122.0	-1.07%
Silver (per oz)	14.793	1.41%	Rubber (JPY/KG)	143.5	-3.30%

Source: Bloomberg, Reuters  
(Note that rates are for reference only)

#### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	25,191.43	-125.98
<b>S&amp;P</b>	2,740.69	-15.19
<b>Nasdaq</b>	7,437.54	-31.09
<b>Nikkei 225</b>	22,010.78	-604.04
<b>STI</b>	3,031.39	-46.67
<b>KLCI</b>	1,697.60	-24.87
<b>JCI</b>	5,797.89	-42.54
<b>Baltic Dry</b>	1,579.00	--
<b>VIX</b>	20.71	1.07

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	2.09 (-0.01)	2.88 (-0.03)
<b>5Y</b>	2.35 (-0.02)	3.01 (-0.04)
<b>10Y</b>	2.58 (-0.02)	3.17 (-0.03)
<b>15Y</b>	2.85 (-0.01)	--
<b>20Y</b>	2.88 (-0.01)	--
<b>30Y</b>	2.96 (+0.01)	3.37 (-0.02)

#### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	20.33	0.86
<b>EURIBOR-OIS</b>	4.23	0.10
<b>TED</b>	16.72	--

### Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised
10/23/2018 05:00	SK PPI YoY	Sep	--	2.70%	3.00%	3.10%
<b>10/23/2018 13:00</b>	<b>SI CPI YoY</b>	<b>Sep</b>	<b>0.80%</b>	<b>0.70%</b>	<b>0.70%</b>	--
10/23/2018 13:00	SI CPI NSA MoM	Sep	0.10%	0.00%	0.40%	--
10/23/2018 13:00	JN Supermarket Sales YoY	Sep	--	1.90%	0.10%	--
10/23/2018 13:30	JN Nationwide Dept Sales YoY	Sep	--	-3.00%	-0.20%	--
10/23/2018 13:30	JN Tokyo Dept Store Sales YoY	Sep	--	0.30%	1.60%	--
10/23/2018 14:00	JN Machine Tool Orders YoY	Sep F	--	2.90%	2.80%	--
10/23/2018 14:00	GE PPI MoM	Sep	0.30%	0.50%	0.30%	--
10/23/2018 14:00	GE PPI YoY	Sep	3.00%	3.20%	3.10%	--
<b>10/23/2018 15:17</b>	<b>ID Bank Indonesia 7D Reverse Repo</b>	<b>Oct-23</b>	<b>5.75%</b>	<b>5.75%</b>	<b>5.75%</b>	--
10/23/2018 16:00	TA Industrial Production YoY	Sep	1.60%	1.54%	1.33%	1.07%
<b>10/23/2018 16:04</b>	<b>MU Visitor Arrivals</b>	<b>Sep</b>	--	<b>2561t</b>	<b>3404t</b>	--
<b>10/23/2018 16:30</b>	<b>HK CPI Composite YoY</b>	<b>Sep</b>	<b>2.60%</b>	<b>2.70%</b>	<b>2.30%</b>	--
10/23/2018 22:00	US Richmond Fed Manufact. Index	Oct	24	15	29	--
<b>10/23/2018 22:00</b>	<b>EC Consumer Confidence</b>	<b>Oct A</b>	<b>-3.2</b>	<b>-2.7</b>	<b>-2.9</b>	--
<b>10/24/2018 08:30</b>	<b>JN Nikkei Japan PMI Mfg</b>	<b>Oct P</b>	--	--	<b>52.5</b>	--
<b>10/24/2018 12:00</b>	<b>MA CPI YoY</b>	<b>Sep</b>	<b>0.60%</b>	--	<b>0.20%</b>	--
10/24/2018 13:00	JN Leading Index Cl	Aug F	--	--	104.4	--
10/24/2018 13:00	JN Coincident Index	Aug F	--	--	117.5	--
<b>10/24/2018 14:45</b>	<b>FR Manufacturing Confidence</b>	<b>Oct</b>	<b>107</b>	--	<b>107</b>	--
10/24/2018 14:45	FR Production Outlook Indicator	Oct	9	--	9	--
10/24/2018 14:45	FR Own-Company Production Outlook	Oct	--	--	9	--
<b>10/24/2018 15:15</b>	<b>FR Markit France Manufacturing PMI</b>	<b>Oct P</b>	<b>52.4</b>	--	<b>52.5</b>	--
10/24/2018 15:15	FR Markit France Services PMI	Oct P	54.7	--	54.8	--
<b>10/24/2018 15:15</b>	<b>FR Markit France Composite PMI</b>	<b>Oct P</b>	<b>53.9</b>	--	<b>54</b>	--
<b>10/24/2018 15:30</b>	<b>GE Markit Germany Manufacturing PMI</b>	<b>Oct P</b>	<b>53.4</b>	--	<b>53.7</b>	--
10/24/2018 15:30	GE Markit Germany Services PMI	Oct P	55.5	--	55.9	--
10/24/2018 15:30	GE Markit/BME Germany Composite PMI	Oct P	54.8	--	55	--
<b>10/24/2018 16:00</b>	<b>EC Markit Eurozone Manufacturing PMI</b>	<b>Oct P</b>	<b>53</b>	--	<b>53.2</b>	--
<b>10/24/2018 16:00</b>	<b>EC M3 Money Supply YoY</b>	<b>Sep</b>	<b>3.50%</b>	--	<b>3.50%</b>	--
10/24/2018 16:00	EC Markit Eurozone Services PMI	Oct P	54.5	--	54.7	--
10/24/2018 16:00	EC Markit Eurozone Composite PMI	Oct P	53.9	--	54.1	--
10/24/2018 16:20	TA Money Supply M2 Daily Avg YoY	Sep	--	--	3.42%	--
10/24/2018 16:30	UK UK Finance Loans for Housing	Sep	39000	--	39402	--
<b>10/24/2018 19:00</b>	<b>US MBA Mortgage Applications</b>	<b>Oct-19</b>	--	--	<b>-7.10%</b>	--
10/24/2018 21:00	US FHFA House Price Index MoM	Aug	0.30%	--	0.20%	--
<b>10/24/2018 21:45</b>	<b>US Markit US Manufacturing PMI</b>	<b>Oct P</b>	<b>55.3</b>	--	<b>55.6</b>	--
10/24/2018 21:45	US Markit US Services PMI	Oct P	54	--	53.5	--
10/24/2018 21:45	US Markit US Composite PMI	Oct P	--	--	53.9	--
<b>10/24/2018 22:00</b>	<b>CA Bank of Canada Rate Decision</b>	<b>Oct-24</b>	<b>1.75%</b>	--	<b>1.50%</b>	--
<b>10/24/2018 22:00</b>	<b>US New Home Sales</b>	<b>Sep</b>	<b>625k</b>	--	<b>629k</b>	--
10/24/2018 22:00	US New Home Sales MoM	Sep	-0.60%	--	3.50%	--
10/24/2018 11/02	GE Import Price Index MoM	Sep	0.30%	--	0.00%	--
10/24/2018 11/02	GE Import Price Index YoY	Sep	4.50%	--	4.80%	--

Source: Bloomberg

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